

Message Text

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42

ACTION EUR-25

INFO OCT-01 ISO-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

EA-11 FRB-02 INR-10 IO-14 NEA-11 NSAE-00 RSC-01

OPIC-12 SPC-03 TRSE-00 CIEP-02 LAB-06 SIL-01 OMB-01

SCI-06 FEA-02 INT-08 SS-20 NSC-10 STR-08 L-03 H-03

PA-04 PRS-01 USIA-15 DRC-01 XMB-07 /221 W

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FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 5319

INFO USMISSION NATO

AMEMBASSY LONDON

AMEMBASSY PARIS

USMISSION OECD PARIS UNN

AMEMBASSY BONN

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AMEMBASSY COPENHAGEN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS UNN

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E.O. 11652: N/A

TAGS: ENRG, EI

SUBJ: ENERGY: EFFECTS OF OIL PRICE HIKES ON IRISH BALANCE
OF PAYMENTS

REF: DUBLIN 1694 (DEC 27, 1973), OECD PARIS 541

1. IRISH INDEPENDENT JAN 18 HEADLINED OECD ESTIMATE THAT
IRELAND WILL BE PAYING UP TO 100 MILLION POUNDS STERLING
MORE IN 1974 FOR OIL IMPORTS THAN IN 1973 (ABOUT 70 MILLION
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POUNDS), IN VIEW OCTOBER AND DECEMBER OPEC INCREASES IN CRUDE

OIL PRICES. INCREASE WILL MEAN IRISH BALANCE OF PAYMENTS ON CURRENT ACCOUNT DEFICIT WILL RISE TO ONE HUNDRED FORTY MILLION POUNDS, DOUBLE ESTIMATED 1973 DEFICIT.

2. BUSINESS EDITOR RUPPLE REPORTED OECD ESTIMATE IS CLOSE TO INDEPENDENT ESTIMATE BY IRISH CENTRAL BANK, WHICH PUT EXTRA COST AT 80 MILLION POUNDS, AND THAT ORDER OF MAGNITUDE MEETS WITH GENERAL AGREEMENT AMONG OTHER IRISH ECONOMIC EXPERTS. REPORT NOTES ESTIMATE ONLY TAKES INTO ACCOUNT DIRECT COSTS OF OIL PRICE INCREASES AND DOES NOT INCLUDE INDIRECT COSTS OR BENEFITS (FROM EXPORT PRICE RISES).

3. RUPPLE ALSO CONSIDERED THAT WHILE EFFECT ON DEFICIT WILL BE VERY SERIOUS, IT DOES NOT NECESSARILY CALL FOR A SHARP ECONOMIC POLICY REACTION IN VIEW LEVEL OF HIGH EXTERNAL RESERVES (440 MILLION POUNDS STERLING) WHICH HAVE BEEN RISING AS RESULT INFLUX OF CAPITAL FROM ABROAD. SITUATION COULD CERTAINLY HAVE INFLATIONARY EFFECTS BUT CONTINUED BUOYANCY IN FOREIGN INDUSTRIAL INVESTMENT AND RAPIDLY RISING EXPORTS (UP 45 PERCENT IN DECEMBER 1973 OVER DECEMBER 1972) ARE OFFSETTING FACTORS.

4. NEVERTHELESS, RUPPLE INDICATED THAT IRISH ECONOMIC GROWTH WOULD BE MODEST IN 1974 AND CERTAINLY DOWN FROM 7 PERCENT RATE ACHIEVED IN 1973. HE OPINED ONLY ASTROLOGER COULD LOOK VERY FAR AHEAD.

5. COMMENT: IRISH INDEPENDENT REPORT WAS CLEARLY STIMULATED BY LUNCHEON DISCUSSION ECON COMMOFF AND PAO HAD WITH RUPPLE JAN 17 IN WHICH WE REFERRED TO OECD ESTIMATE AS WELL AS EARLIER CONFEDERATION OF IRISH INDUSTRY ESTIMATE THAT PRICE RISES WOULD ADD 100 MILLION POUNDS TO IMPORT BILL (DUBLIN 1694). LATTER REPORT SEEMS TO HAVE BEEN MISSED AS IT APPEARED DURING CHRISTMAS HOLIDAY HIATUS. RUPPLE ASKED THAT WE KEEP IN CONTACT RE ECONOMIC DEVELOPMENTS, AND WE WILL CONTINUE ATTEMPT ENGENDER IRISH AWARENESS OF SEVERE IMPACT OF PETROLUUM PRICE INCREASES.
MOORE

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